



RAY COUNTY, MISSOURI

TWO YEARS ENDED DECEMBER 31, 1998

**From The Office Of State Auditor
Claire McCaskill**

Report No. 99-94
October 5, 1999

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 1999

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Ray, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Ray County included additional areas of county operations, as well as elected county officials. The following concerns were noted as part of the audit:

- < During the two years ended December 31, 1998, the financial condition of the county's General Revenue Fund declined significantly from a cash balance of \$253,964 at January 1, 1997, to \$29,467 at December 31, 1998. The audit suggested the County Commission should continue to monitor the financial condition of the General Revenue Fund and consider how to increase revenues and/or reduce expenditures.
- < Problems were noted with the county's budgets during the audit period. Formal budgets were prepared for only a few funds in 1997, and those that were prepared were incomplete and lacked required information. The budgets prepared in 1998 were in better condition, but problems were still noted. In addition, the County Commission approved expenditures in excess of budgeted amounts.
- < The county did not prepare a complete and accurate schedule of expenditures of federal awards for each year of the audit period as required. Also, problems were noted regarding the county's handling of federal bridge funds. The county has not established procedures to ensure these federal monies are disbursed to contractors on a timely basis after being received. Payments totaling \$261,789 were not made to the contractor on a timely basis. In addition, there was no documentation to indicate that the County Commission considered three engineering firms when procuring engineering services as required, nor did the county adequately monitor grant funds passed on to a special road district.

- < The county entered into several agreements with citizen groups and other governmental entities related to funding to be provided by those parties for road work performed by the county. No written contracts were entered into to formalize these agreements. Also, the county has not established adequate procedures to account for the related project costs and reimbursements nor has a written policy been established regarding the handling of those special road projects. As a result, monies due from a city were not received by the county on a timely basis and a citizens group did not pay its proper share of project costs.
- < The county did not solicit bids or maintain bid documentation related to various significant purchases. Contract work totaling \$37,570 related to a federal flood project was not handled properly. Among various problems noted, only one bid proposal was obtained, a written contract was not entered into, and the work was not properly authorized or documented in the County Commission minutes.
- < Various problems were noted regarding the Circuit Clerk's child support records and procedures including; an inadequate segregation of duties, receipts not always being recorded or deposited intact in a timely manner, and no periodic reconciliation of cash receipts to the cash deposited. As a result of these control weaknesses, a \$300 cash shortage was not detected in a timely manner. Because of these matters, we are planning to further review additional receipt and deposit records.

Also included in the audit are recommendations for the County Clerk related to the county fixed asset records. Additional recommendations were made to improve the records and/or procedures of the Prosecuting Attorney, Noxious Weed Board, and Senate Bill 40 Board.

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Ray County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Ray County, Missouri, as of and for the years ended December 31, 1998 and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Ray County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Ray County.

As more fully described in Note 1 to the financial statements, the county's financial statements do not include statements of receipts, disbursements, and changes in cash - budget and actual for various funds totaling \$399,011 in receipts, and \$350,626 in disbursements for the year ended December 31, 1997. Statements of receipts, disbursements, and changes in cash - budget and actual are required by the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

In our opinion, except for the omission of the 1997 information discussed in the preceding paragraph, the special-purpose financial statements referred to in the first paragraph present fairly,

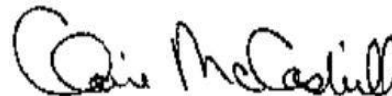
in all material respects, the receipts, disbursements, and changes in cash of various funds of Ray County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 1998 and 1997, in conformity with the comprehensive basis of accounting discussed in Note 1, which is a basis of accounting other than generally accepted accounting principles.

Ray County, Missouri, has not presented the disclosures required by Governmental Accounting Standards Board (GASB) Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by GASB Technical Bulletin 99-1, that the GASB has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the county is or will become year 2000-compliant, that the county's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the county does business are or will become year 2000-compliant.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 29, 1999, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Ray County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

April 29, 1999 (fieldwork completion date),
except for the event discussed in Note 4,
as to which the date is September 20, 1999



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Ray County, Missouri

We have audited the special-purpose financial statements of various funds of Ray County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 29, 1999. That report expressed a qualified opinion on the special-purpose financial statements. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Ray County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-1. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

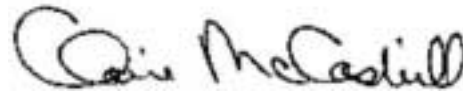
Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Ray County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial

reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, finding number 98-1, to be a material weakness. We also noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Ray County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

April 29, 1999 (fieldwork completion date),
except for the event discussed in Note 4,
as to which the date is September 20, 1999

Financial Statements

Exhibit A-1

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1998

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 135,627	1,875,216	1,981,376	29,467
Class III Road and Bridge	327,975	1,200,291	1,517,159	11,107
Assessment	120,238	193,028	201,282	111,984
Law Enforcement Training	4,594	4,767	4,181	5,180
Prosecuting Attorney Training	2,378	1,057	0	3,435
Special Road and Bridge Sales Tax	128,787	597,281	423,627	302,441
Noxious Weed	115,525	7,915	25,977	97,463
Prosecuting Attorney Delinquent Tax	1,271	1,587	0	2,858
Recorder's User Fees	9,119	18,317	15,245	12,191
Domestic Violence	3,447	2,886	3,072	3,261
Prosecuting Attorney Bad Check	5,910	20,290	23,632	2,568
Sheriff's Extradition	1,723	2,984	1,667	3,040
Sheriff's Account	17,284	54,861	61,878	10,267
Emergency 911	68,778	265,840	221,633	112,985
Records Grant	0	2,018	2,018	0
Chemical Emergency	0	4,810	4,810	0
Emergency Shelter	0	9,131	9,131	0
Sheriff's Post Certification Training	0	1,891	1,891	0
Senate Bill 40	177,749	314,107	432,693	59,163
Circuit Clerk Interest	6,227	1,890	2,150	5,967
Associate Circuit Division Interest	6,855	1,759	3,540	5,074
Total	\$ 1,133,487	4,581,926	4,936,962	778,451

The accompanying Notes to the Financial Statements are an integral part of this statement.

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 1997

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 253,964	1,819,418	1,937,755	135,627
Class III Road and Bridge	159,255	1,246,548	1,077,828	327,975
Assessment	90,895	202,507	173,164	120,238
Law Enforcement Training	5,559	4,931	5,896	4,594
Prosecuting Attorney Training	1,277	2,026	925	2,378
Special Road and Bridge Sales Tax	302,213	949,525	1,122,951	128,787
Noxious Weed	76,170	64,913	25,558	115,525
Prosecuting Attorney Delinquent Tax	6,251	2,820	7,800	1,271
Recorder's User Fees	16,728	13,178	20,787	9,119
Domestic Violence	3,651	2,860	3,064	3,447
Prosecuting Attorney Bad Check	11,182	23,763	29,035	5,910
Sheriff's Extradition	1,847	1,576	1,700	1,723
Sheriff's Account	9,661	28,046	20,423	17,284
Emergency 911	12,440	144,788	88,450	68,778
Chemical Emergency	568	861	1,429	0
Emergency Shelter	0	9,253	9,253	0
Sheriff's Post Certification Training	0	1,625	1,625	0
Senate Bill 40	48,057	332,970	203,278	177,749
Flood Disaster	3,000	170,195	173,195	0
Circuit Clerk Interest	5,746	1,750	1,269	6,227
Associate Circuit Division Interest	6,135	1,116	396	6,855
Total	\$ 1,014,599	5,024,669	4,905,781	1,133,487

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
GENERAL REVENUE FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 3,000	3,084	84	2,800	3,041	241
Sales taxes	1,169,919	1,150,067	-19,852	1,005,550	1,094,465	88,915
Intergovernmental	223,571	143,681	-79,890	209,711	176,399	-33,312
Charges for services	438,082	384,389	-53,693	484,350	381,510	-102,840
Interest	17,500	10,801	-6,699	20,000	16,731	-3,269
Other	133,474	144,284	10,810	95,714	114,182	18,468
Transfers in	16,000	38,910	22,910	0	33,090	33,090
Total Receipts	2,001,546	1,875,216	#VALUE!	1,818,125	1,819,418	#VALUE!
DISBURSEMENTS						
County Commission	108,595	100,726	7,869	100,803	98,547	2,256
County Clerk	114,480	113,658	822	91,928	92,447	-519
Elections	40,795	32,159	8,636	25,372	22,721	2,651
Buildings and grounds	265,795	164,599	101,196	267,183	238,791	28,392
County Treasurer	31,610	30,300	1,310	30,619	28,044	2,575
County Collector	108,494	111,603	-3,109	117,461	109,669	7,792
Recorder of Deeds	84,637	84,086	551	86,079	87,841	-1,762
Circuit Clerk	15,954	13,722	2,232	26,125	18,592	7,533
Associate Circuit Court	34,027	36,860	-2,833	29,214	31,316	-2,102
Court administration	18,870	12,503	6,367	17,275	7,641	9,634
Law Library	8,000	6,948	1,052	8,000	6,915	1,085
Public Administrator	28,419	33,450	-5,031	27,858	30,297	-2,439
Sheriff	366,955	345,021	21,934	302,366	299,024	3,342
Jail	377,123	445,611	-68,488	369,731	364,232	5,499
Prosecuting Attorney	150,331	157,896	-7,565	169,491	164,794	4,697
Juvenile Officer	80,394	75,185	5,209	75,673	72,970	2,703
County Coroner	18,299	14,624	3,675	19,968	15,606	4,362
Planning and Zoning	71,872	48,243	23,629	58,682	65,367	-6,685
Agricultural Extension	32,000	32,000	0	40,257	31,200	9,057
Historical Society	11,950	24,450	-12,500	0	0	0
Public health and welfare services	19,479	19,575	-96	0	11,783	-11,783
Insurance and bonds	118,084	64,136	53,948	95,000	104,871	-9,871
Other	4,550	10,971	-6,421	4,550	24,450	-19,900
Emergency Fund	3,054	3,050	4	56,446	10,637	45,809
Total Disbursements	2,113,767	1,981,376	132,391	2,020,081	1,937,755	82,326
RECEIPTS OVER (UNDER) DISBURSEMENTS	-112,221	-106,160	#VALUE!	-201,956	-118,337	#VALUE!
CASH, JANUARY 1	124,269	135,627	11,358	236,531	253,964	17,433
CASH, DECEMBER 31	\$ 12,048	29,467	#VALUE!	34,575	135,627	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit C

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
CLASS III ROAD AND BRIDGE FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 350,000	392,990	42,990	356,500	367,967	11,467
Intergovernmental	766,480	742,293	-24,187	609,000	793,147	184,147
Interest	25,300	20,577	-4,723	11,500	22,307	10,807
Other	36,070	44,431	8,361	13,550	51,127	37,577
Transfers in	0	0	0	0	12,000	12,000
Total Receipts	1,177,850	1,200,291	22,441	990,550	1,246,548	255,998
DISBURSEMENTS						
Salaries	308,496	304,780	3,716	314,972	263,214	51,758
Employee fringe benefits	59,462	54,161	5,301	66,495	47,084	19,411
Supplies	134,404	104,820	29,584	156,500	138,759	17,741
Insurance	25,000	6,404	18,596	40,000	18,389	21,611
Road and bridge materials	452,000	564,121	-112,121	60,000	39,578	20,422
Equipment repairs	70,000	44,312	25,688	70,000	68,041	1,959
Rentals	780	912	-132	780	40	740
Equipment purchases	190,100	190,000	100	200,000	192,453	7,547
Construction, repair, and maintenance	50,000	27,586	22,414	65,000	78,655	-13,655
CART distributions to road districts	190,000	180,007	9,993	142,500	184,218	-41,718
Other	7,000	7,030	-30	10,500	14,307	-3,807
Transfers out	0	33,026	-33,026	0	33,090	-33,090
Total Disbursements	1,487,242	1,517,159	-29,917	1,126,747	1,077,828	48,919
RECEIPTS OVER (UNDER) DISBURSEMENTS	-309,392	-316,868	-7,476	-136,197	168,720	304,917
CASH, JANUARY 1	327,975	327,975	0	155,927	159,255	3,328
CASH, DECEMBER 31	\$ 18,583	11,107	-7,476	19,730	327,975	308,245

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit D

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
ASSESSMENT FUND

		Year Ended December 31,					
		1998			1997		
				Variance Favorable			Variance Favorable
		Budget	Actual	(Unfavorable)	Budget	Actual	(Unfavorable)
RECEIPTS							
Intergovernmental	\$	188,762	182,349	-6,413	211,144	193,428	-17,716
Charges for services		0	1,414	1,414	0	1,481	1,481
Interest		0	9,265	9,265	6,250	7,598	1,348
Total Receipts		188,762	193,028	4,266	217,394	202,507	-14,887
DISBURSEMENTS							
Assessor		180,734	201,282	-20,548	216,811	173,164	43,647
Total Disbursements		180,734	201,282	-20,548	216,811	173,164	43,647
RECEIPTS OVER (UNDER) DISBURSEMENTS		8,028	-8,254	-16,282	583	29,343	28,760
CASH, JANUARY 1		117,740	120,238	2,498	90,485	90,895	410
CASH, DECEMBER 31		\$ 125,768	111,984	-13,784	91,068	120,238	29,170

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit E

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
LAW ENFORCEMENT TRAINING FUND

		Year Ended December 31,					
		1998			1997		
		Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS							
Charges for services	\$	12,863	4,767	-8,096	2,000	4,931	2,931
Total Receipts		12,863	4,767	-8,096	2,000	4,931	2,931
DISBURSEMENTS							
Sheriff		10,000	4,181	5,819	2,000	5,896	-3,896
Total Disbursements		10,000	4,181	5,819	2,000	5,896	-3,896
RECEIPTS OVER (UNDER) DISBURSEMENTS		2,863	586	-2,277	0	-965	-965
CASH, JANUARY 1		4,594	4,594	0	5,559	5,559	0
CASH, DECEMBER 31	\$	7,457	5,180	-2,277	5,559	4,594	-965

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit F

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY TRAINING FUND

		Year Ended December 31,					
		1998			1997		
				Variance Favorable			Variance Favorable
		Budget	Actual	(Unfavorable)	Budget	Actual	(Unfavorable)
RECEIPTS							
Charges for services	\$	2,000	1,057	-943	2,085	2,026	-59
Total Receipts		2,000	1,057	-943	2,085	2,026	-59
DISBURSEMENTS							
Prosecuting Attorney		2,000	0	2,000	2,085	925	1,160
Total Disbursements		2,000	0	2,000	2,085	925	1,160
RECEIPTS OVER (UNDER) DISBURSEMENTS		0	1,057	1,057	0	1,101	1,101
CASH, JANUARY 1		2,378	2,378	0	1,277	1,277	0
CASH, DECEMBER 31		\$ 2,378	3,435	1,057	1,277	2,378	1,101

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit G

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SPECIAL ROAD AND BRIDGE SALES TAX FUND

Year Ended December 31,									
1998				1997					
		Variance Favorable				Variance Favorable			
		Budget	Actual	(Unfavorable)		Budget	Actual	(Unfavorable)	
RECEIPTS									
Sales taxes	\$	555,000	558,540	3,540	570,000	547,590	-22,410		
Intergovernmental		300,000	20,339	-279,661	300,000	387,940	87,940		
Interest		14,500	16,861	2,361	12,600	13,995	1,395		
Other		0	1,541	1,541	0	0	0		
Total Receipts		869,500	597,281	-272,219	882,600	949,525	66,925		
DISBURSEMENTS									
Distributions to road districts		487,000	182,321	304,679	157,500	186,495	-28,995		
Road and bridge construction		507,000	235,422	271,578	575,000	511,588	63,412		
Road and bridge materials		0	0	0	400,000	412,868	-12,868		
Emergency		0	0	0	48,000	0	48,000		
Transfers out		0	5,884	-5,884	0	12,000	-12,000		
Total Disbursements		994,000	423,627	570,373	1,180,500	1,122,951	57,549		
RECEIPTS OVER (UNDER) DISBURSEMENTS		-124,500	173,654	298,154	-297,900	-173,426	124,474		
CASH, JANUARY 1		128,787	128,787	0	298,944	302,213	3,269		
CASH, DECEMBER 31		\$ 4,287	302,441	298,154	1,044	128,787	127,743		

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit H

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
NOXIOUS WEED FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 32,574	2,089	-30,485	51,115	58,659	7,544
Interest	0	5,826	5,826	0	6,254	6,254
Total Receipts	32,574	7,915	-24,659	51,115	64,913	13,798
DISBURSEMENTS						
Salaries	12,224	11,482	742	11,219	9,996	1,223
Supplies	11,700	6,059	5,641	2,000	12,971	-10,971
Equipment purchases and repairs	700	496	204	700	1,022	-322
Mileage and training	1,200	1,190	10	1,200	875	325
Insurance	6,000	6,000	0	0	0	0
Other	750	750	0	4,664	694	3,970
Total Disbursements	32,574	25,977	6,597	19,783	25,558	-5,775
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	-18,062	-18,062	31,332	39,355	8,023
CASH, JANUARY 1	100,569	115,525	14,956	62,069	76,170	14,101
CASH, DECEMBER 31	\$ 100,569	97,463	-3,106	93,401	115,525	22,124

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit I

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY DELINQUENT TAX FUND

		Year Ended December 31,		
		1998		
				Variance
				Favorable
		Budget	Actual	(Unfavorable)
RECEIPTS				
Intergovernmental	\$	2,300	1,587	-713
Total Receipts		2,300	1,587	-713
DISBURSEMENTS				
Prosecuting Attorney		2,300	0	2,300
Total Disbursements		2,300	0	2,300
RECEIPTS OVER (UNDER) DISBURSEMENTS		0	1,587	1,587
CASH, JANUARY 1		1,271	1,271	0
CASH, DECEMBER 31	\$	1,271	2,858	1,587

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit J

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDER'S USER FEES FUND

Year Ended December 31,			
1998			
			Variance
	Budget	Actual	Favorable
			(Unfavorable)
RECEIPTS			
Charges for services	\$ 21,030	18,317	-2,713
Total Receipts	21,030	18,317	-2,713
DISBURSEMENTS			
Recorder of deeds	7,554	15,245	-7,691
Total Disbursements	7,554	15,245	-7,691
RECEIPTS OVER (UNDER) DISBURSEMENTS	13,476	3,072	-10,404
CASH, JANUARY 1	9,119	9,119	0
CASH, DECEMBER 31	\$ 22,595	12,191	-10,404

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit K

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
DOMESTIC VIOLENCE FUND

Year Ended December 31,			
1998			
			Variance
	Budget	Actual	Favorable
			(Unfavorable)
RECEIPTS			
Charges for services	\$ 3,100	2,886	-214
Total Receipts	3,100	2,886	-214
DISBURSEMENTS			
Domestic violence shelter	3,000	3,072	-72
Total Disbursements	3,000	3,072	-72
RECEIPTS OVER (UNDER) DISBURSEMENTS	100	-186	-286
CASH, JANUARY 1	3,447	3,447	0
CASH, DECEMBER 31	\$ 3,547	3,261	-286

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit L

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
PROSECUTING ATTORNEY BAD CHECK FUND

		Year Ended December 31,		
		1998		
				Variance
				Favorable
		Budget	Actual	(Unfavorable)
RECEIPTS				
Charges for services	\$	25,000	20,290	-4,710
Total Receipts		25,000	20,290	-4,710
DISBURSEMENTS				
Prosecuting Attorney		25,000	23,632	1,368
Total Disbursements		25,000	23,632	1,368
RECEIPTS OVER (UNDER) DISBURSEMENTS		0	-3,342	-3,342
CASH, JANUARY 1		5,910	5,910	0
CASH, DECEMBER 31	\$	5,910	2,568	-3,342

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit M

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF'S EXTRADITION FUND

Year Ended December 31,			
1998			
			Variance
	Budget	Actual	Favorable
			(Unfavorable)
RECEIPTS			
Intergovernmental	\$ 3,150	2,984	-166
Total Receipts	3,150	2,984	-166
DISBURSEMENTS			
Sheriff	1,000	1,667	-667
Total Disbursements	1,000	1,667	-667
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,150	1,317	-833
CASH, JANUARY 1	1,723	1,723	0
CASH, DECEMBER 31	\$ 3,873	3,040	-833

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit N

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF'S ACCOUNT FUND

Year Ended December 31,			
1998			
			Variance
	Budget	Actual	Favorable
			(Unfavorable)
RECEIPTS			
Charges for services	\$ 50,000	54,861	4,861
Total Receipts	50,000	54,861	4,861
DISBURSEMENTS			
Sheriff	67,000	61,878	5,122
Total Disbursements	67,000	61,878	5,122
RECEIPTS OVER (UNDER) DISBURSEMENTS	-17,000	-7,017	9,983
CASH, JANUARY 1	17,284	17,284	0
CASH, DECEMBER 31	\$ 284	10,267	9,983

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit O

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
EMERGENCY 911 FUND

Year Ended December 31,			
1998			
	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS			
Phone surtax	\$ 211,111	178,972	-32,139
Interest	9,200	5,289	-3,911
Lease components	170,592	81,579	-89,013
Other	7,485	0	-7,485
Total Receipts	398,388	265,840	#VALUE!
DISBURSEMENTS			
Salaries and fringe benefits	30,765	30,566	199
Office expenses	7,200	6,539	661
Supplies	1,000	684	316
Building remodeling	34,248	42,096	-7,848
Equipment purchases and repairs	283,321	123,382	159,939
Mileage and training	7,200	4,543	2,657
Consultant expenses	12,174	12,174	0
Other	11,985	1,649	10,336
Total Disbursements	387,893	221,633	#VALUE!
RECEIPTS OVER (UNDER) DISBURSEMENTS	10,495	44,207	#VALUE!
CASH, JANUARY 1	68,778	68,778	0
CASH, DECEMBER 31	\$ 79,273	112,985	#VALUE!

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit P

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
RECORDS GRANT FUND

Year Ended December 31,			
1998			
			Variance
	Budget	Actual	Favorable
			(Unfavorable)
RECEIPTS			
Intergovernmental	\$ 3,500	2,018	-1,482
Total Receipts	3,500	2,018	-1,482
DISBURSEMENTS			
Records restoration	3,500	2,018	1,482
Total Disbursements	3,500	2,018	1,482
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	\$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit Q

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
EMERGENCY SHELTER FUND

Year Ended December 31,			
1998			
			Variance
	Budget	Actual	Favorable
			(Unfavorable)
RECEIPTS			
Intergovernmental	\$ 12,500	9,131	-3,369
Total Receipts	12,500	9,131	-3,369
DISBURSEMENTS			
Emergency shelter	12,500	9,131	3,369
Total Disbursements	12,500	9,131	3,369
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	\$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit R

RAY COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SHERIFF'S POST CERTIFICATION TRAINING FUND

Year Ended December 31,			
1998			
			Variance
	Budget	Actual	Favorable
			(Unfavorable)
RECEIPTS			
Charges for services	\$ 3,250	1,891	-1,359
Total Receipts	3,250	1,891	-1,359
DISBURSEMENTS			
Sheriff	3,250	1,891	1,359
Total Disbursements	3,250	1,891	1,359
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	\$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit S

RAY COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL
SENATE BILL 40 FUND

Year Ended December 31,						
1998				1997		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
RECEIPTS						
Property taxes	\$ 260,000	270,840	10,840	246,000	257,014	11,014
Intergovernmental	15,000	13,750	-1,250	20,000	18,434	-1,566
Interest	7,000	9,517	2,517	3,600	6,604	3,004
Repayment of loan	40,000	20,000	-20,000	10,000	38,817	28,817
Other	15,000	0	-15,000	25,000	12,101	-12,899
Total Receipts	337,000	314,107	-22,893	304,600	332,970	28,370
DISBURSEMENTS						
Sheltered workshop and residential services	414,550	432,693	-18,143	253,500	203,278	50,222
Total Disbursements	414,550	432,693	-18,143	253,500	203,278	50,222
RECEIPTS OVER (UNDER) DISBURSEMENTS	-77,550	-118,586	-41,036	51,100	129,692	78,592
CASH, JANUARY 1	177,749	177,749	0	48,057	48,057	0
CASH, DECEMBER 31	\$ 100,199	59,163	-41,036	99,157	177,749	78,592

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

RAY COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Ray County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 1994 and RSMo Cumulative Supp. 1998, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Recorder's User Fees Fund	1997
Domestic Violence Fund	1997
Prosecuting Attorney Bad Check Fund	1997
Sheriff's Extradition Fund	1997
Sheriff's Account Fund	1997
Emergency 911 Fund	1997
Chemical Emergency Fund	1998 and 1997
Emergency Shelter Fund	1997
Sheriff's Post Certification Training Fund	1997
Flood Disaster Fund	1997
Circuit Clerk Interest Fund	1998 and 1997
Associate Circuit Division Interest Fund	1998 and 1997

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Year Ended December 31,</u>
Class III Road and Bridge Fund	1998
Assessment Fund	1998
Law Enforcement Training Fund	1997
Noxious Weed Fund	1997
Recorder's User Fees Fund	1998
Domestic Violence Fund	1998
Sheriff's Extradition Fund	1998
Senate Bill 40 Fund	1998

Section 50.740, RSMo 1994, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 1994, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 1998 and 1997, did not include the Circuit Clerk Interest Fund and the Associate Circuit Division Interest Fund.

2. Cash

Section 110.270, RSMo 1994, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo Cumulative Supp. 1998, effective August 28, 1997, requires political subdivisions with existing authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the County Collector's cash balances are included since collateral

securities to cover amounts not covered by federal depositary insurance are pledged to the county rather than to specific county officials.

Of the county's bank balance at December 31, 1998, \$2,417,235 was covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name and \$3,713,125 was covered by collateral held by the pledging (or depositary) bank, or by its trust department or agent but not in the county's name, and \$665,708 was uninsured and uncollateralized.

The county's deposits at December 31, 1997, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

To protect the safety of county deposits, Section 110.020, RSMo 1994, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

The Senate Bill 40 Board's deposits at December 31, 1998 and 1997, were entirely covered by federal depositary insurance or by collateral securities held by the custodial bank in the board's name.

3. Use Tax Liability

The local use tax under Section 144.748, RSMo 1994, was struck down in its entirety by the Missouri Supreme Court in *Associated Industries of Missouri v. Director of Revenue*, 918 S.W.2d 780 (Mo. banc 1996). In *St. Charles County v. Director of Revenue*, 961 S.W.2d 44 (Mo. banc 1998), the Missouri Supreme Court ruled that local use taxes paid prior to the repeal of Section 144.748, RSMo 1994, must be refunded to taxpayers and authorized the Department of Revenue (DOR) to withhold amounts otherwise due to political subdivisions to the extent such withholding is necessary to cover the refund expense. On March 24, 1998, the Cole County Circuit Court entered final judgment in accordance with the Supreme Court's opinion and ordered the DOR to process refund claims filed.

The county has received \$354,088 in local use tax since its inception. The DOR has estimated the county's share of the total refund liability to be \$169,462. As of December 31, 1998, \$63,550 remains to be paid.

4. Subsequent Event

In September 1999, various former and current employees of the Ray County Sheriff's department filed a lawsuit in federal court against the Sheriff, the County Commission, and Ray County alleging various improprieties, including assault and battery, emotional distress, wrongful discharge, and uncompensated overtime and other wages, among others. The plaintiffs are asking for damages in excess of \$4 million from both the county and the Sheriff. The potential liability to the county cannot be determined at this time.

Supplementary Schedule

Schedule

RAY COUNTY, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			1998	1997
U. S. DEPARTMENT OF AGRICULTURE				
	Passed through state:			
	Department of Social Services -			
10.6	Food Distribution	N/A	\$ 154	226
	Department of Health -			
10.6	Special Supplemental Nutrition Program	ERO045-9189	93,275	0
	for Women, Infants, and Children	ERO045-8189	0	98,995
	Program Total		93,275	98,995
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
	Passed through state Department of Social Services -			
14.2	Emergency Shelter Grants Program	ERO164	9,131	9,253
U.S. DEPARTMENT OF JUSTICE				
	Direct program:			
16.7	Public Safety Partnership and Community Policing ("Cops") Grants	N/A	107,383	82,359
U. S. DEPARTMENT OF TRANSPORTATION				
	Passed through state Highway and Transportation Commission -			
20.2	Off-System Bridge Replacement and Rehabilitation Program	BRO-089(10)	9,323	220,586
		BRO-089(11)	0	11,801
		BRO-089(15)	70,761	181,002
	Program Total		80,084	413,389
GENERAL SERVICES ADMINISTRATION				
	Passed through state Office of Administration -			
39.0	Donation of Federal Surplus Personal Property	N/A	3,035	1,938
FEDERAL EMERGENCY MANAGEMENT AGENCY				
	Passed through state Department of Public Safety -			
83.5	Emergency Management - State and Local	1253-DR-MO	74,420	0
	Assistance	1054-DR-MO	0	9,117
	Program Total		74,420	9,117
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				

Passed through state:

	Department of Health -			
93.3	Immunization Grants	PG0064-9189	6,380	0
		PG0064-8189	0	5,237
	Program Total		<u>6,380</u>	<u>5,237</u>
	Department of Social Services -			
93.6	Child Support Enforcement	N/A	8,165	10,054
	Department of Health -			
93.6	Child Care and Development Block Grant	PG0067-9189	3,350	187
::				
93.7	Department of Mental Health -			
	Temporary Child and Crisis Nurseries	ERO0147727	0	15,536
	Department of Health -			
94.0	Maternal and Child Health Services			
	Block Grant to the States	ERO146-8189	15,078	19,383
	Total Expenditures of Federal Awards		<u>\$ 400,455</u>	<u>665,674</u>

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

RAY COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Ray County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Food Distribution Program (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services. Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided federal awards to subrecipients as follows:

<u>Federal CFDA Number</u>	<u>Program Title</u>	<u>Amount Provided</u> <u>Year Ended December 31,</u>	
		<u>1998</u>	<u>1997</u>
14.231	Emergency Shelter Grants Program	\$9,131	9,253
20.205	Off-System Bridge Replacement and Rehabilitation Program BRO-089(15)	70,761	181,002

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Ray County, Missouri

Compliance

We have audited the compliance of Ray County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Ray County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance

with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 98-2 through 98-3.

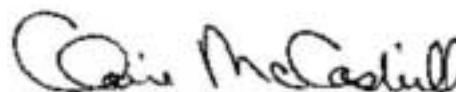
Internal Control Over Compliance

The management of Ray County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 98-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management of Ray County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 29, 1999 (fieldwork completion date),
except for the event discussed in Note 4
to the Financial Statements, as to which

the date is September 20, 1999

Schedule

RAY COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 1998 AND 1997

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weakness identified? X yes no

Reportable condition identified that is
not considered to be a material weakness? yes X none reported

Noncompliance material to the financial statements
noted? X yes no

Federal Awards

Internal control over major programs:

Material weakness identified? yes X no

Reportable condition identified that is
not considered to be a material weakness? X yes none reported

Type of auditor's report issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? X yes no

Identification of major programs:

CFDA or
Other Identifying

<u>Number</u>	<u>Program Title</u>
16.710	Public Safety Partnership and Community Policing ("COPS") Grants

20.205 Off-System Bridge Replacement and Rehabilitation Program

Dollar threshold used to distinguish between Type A
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? yes X no

Section II - Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

98-1. Budgetary Practices

Problems were noted regarding the budgets prepared by the county during the audit period. The budget documents prepared by the County Clerk for the year ended December 31, 1997, were inadequate. Formal budgets were prepared only for a few funds and those that were submitted were not complete and lacked required information. For example, the budgets prepared for some county funds did not present a summary and cash reconciliation page and actual expenditures for the two preceding years were not presented. In addition, the expenditures portion of the budgets was not properly classified for several county funds. Because of the problems noted above, budget to actual financial information for a number of county funds could not be presented for the year ended December 31, 1997.

The initial budget documents prepared by the County Clerk and submitted to the State Auditor's office for the year ended December 31, 1998, were also not accurate and complete and the county was requested to prepare and resubmit a corrected 1998 budget. These budget documents were in better condition than those prepared for 1997, but problems were still noted. For example, a miscellaneous fund budget was prepared combining a number of funds together, with the revenues, expenditures, and cash balances not properly detailed by fund. In addition, they contained budget information for several funds for which budgets were not required.

Chapter 50, RSMo, requires the preparation of annual budgets for all county funds to present a complete financial plan for the ensuing year. By preparing or obtaining accurate and complete budgets for all funds, the County Commission can evaluate all county resources more effectively.

The budget documents prepared for the year ending December 31, 1999, showed improvement and appeared to have corrected many of the problems noted in the 1998 budget documents.

A similar condition was also noted in our prior report.

WE AGAIN RECOMMEND the County Commission and the County Clerk continue to ensure budgets are complete and accurate and include all required information as provided by state law.

AUDITEE'S RESPONSE AND CORRECTIVE ACTION PLAN

The County Commission and County Clerk concur, and the County Clerk indicated he will make every effort to ensure the budget for the year 2000 is complete and accurate. The County Clerk indicated that for several of these funds in 1997, budget forms were provided to various officials for completion; however, the budget forms were not completed and returned.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

98-2. Schedule of Expenditures of Federal Awards

Federal Grantor: U.S. Department of Justice

Pass-Through Grantor: Not applicable

Federal CFDA Number: 16.710

Program Title: Public Safety Partnership and Community Policing ("Cops")
Grants

Pass-Through Entity

Identifying Number: Not applicable

Award Year: 1995

Questioned Costs: Not applicable

Federal Grantor: U.S. Department of Transportation

Pass-Through Grantor: State Highway and Transportation Commission

Federal CFDA Number: 20.205

Program Title: Off-System Bridge Replacement and Rehabilitation Program
Pass-Through Entity

Identifying Number: BRO-089(10), BRO-089(11), and BRO-089(15)

Award Years: 1998 and 1997

Questioned Costs: Not applicable

Section .310(b) of Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's office as a part of the annual budget.

The county does not have a procedure in place to track federal assistance for preparation of the SEFA. The county did not prepare and submit a SEFA to the State Auditor's office for the year ended December 31, 1997. The county did prepare and submit a SEFA to the State Auditor's office for the year ended December 31, 1998; however, it was inaccurate and incomplete. The 1998 SEFA reported only \$347,533 in total federal assistance with inaccurate amounts presented for some programs and nothing presented for other programs.

Without an accurate and timely SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards and submit the schedule to the State Auditor's office as part of the annual budget.

AUDITEE'S RESPONSE AND CORRECTIVE ACTION PLAN

The County Clerk indicated he will make every effort to ensure the 1999 SEFA submitted with the year 2000 budget is complete and accurate; however, he will need the assistance and cooperation of other county officials.

98-3.

Federal Bridge Program

Federal Grantor: U.S. Department of Transportation
Pass-Through Grantor: State Highway and Transportation Commission
Federal CFDA Number: 20.205
Program Title: Off-System Bridge Replacement and Rehabilitation Program
Pass-Through Entity
Identifying Number: BRO-089(10), BRO-089(11), and BRO-089(15)
Award Year: 1998 and 1997
Questioned Costs: \$22,386

The county receives funding from the Missouri Department of Transportation for bridge replacement and rehabilitation under the Off-System Bridge Replacement and Rehabilitation Program. During the two years ended December 31, 1998, a total of \$493,473 was either expended directly by the county or passed-through to a special road district under this program. Our review noted the following concerns:

- A. The county has not established cash management procedures to ensure the minimum time elapses between its receipt of federal project monies and the distribution of such monies to contractors. We noted 5 reimbursements totaling \$261,789 where payment was not made to the contractor on a timely basis as follows:

	<u>Amount</u>	<u>Date Received</u>	<u>Date Paid</u>	<u>Number of Days Held</u>
\$	80,624	7-10-97	7-23-97	12
	71,573	7-16-97	7-23-97	6
	45,441	8-04-97	9-15-97	41
	27,797	8-12-97	9-15-97	33
	36,354	9-08-97	9-15-97	6

Section 6.2.2 of the Cash Management Improvement Act Agreement between the State of Missouri and the Secretary of the Treasury, United States Department of the Treasury, states that funds shall be requested such that they are received not more than two days prior to their disbursement.

- B. The county incurred \$22,386 in engineering costs related to the applicable county bridge projects during the audit period. These expenditures were all made to the same engineering firm. There was no documentation to indicate that the County Commission considered other engineering firms when procuring these services.

Sections 8.289 and 8.291, RSMo, provide that when obtaining engineering services for any capital improvement project, at least three highly qualified firms should be considered. The firms should be evaluated based upon specified criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located. As a result, we have presented the \$22,386 as questioned costs.

- C. Ray County received federal bridge monies totaling \$251,763 during the audit period on behalf of the Richmond Special Road District. These monies were initially received by the county and passed on to the road district by endorsing the checks directly over to the district.

As the grant recipient, Ray County assumed responsibility for these grant monies. OMB Circular A-133 requires grant recipients to provide subrecipients the applicable federal compliance requirements and monitor the subrecipients activities to provide reasonable assurance that the subrecipients administer the federal awards in compliance with requirements. However, it appears the county did not perform adequate monitoring procedures related to these grant funds to ensure the monies were administered properly and in compliance with grant requirements.

The county should ensure any grant funds passed on to subrecipients are properly monitored as required by OMB Circular A-133. In addition, good management practices dictate that grant monies be receipted, deposited, and disbursed by check.

WE RECOMMEND the County Commission:

- A. Establish procedures to minimize the time elapsed between the receipt of federal monies and disbursement of such funds.
- B. Resolve the questioned costs with the grantor agency. For future projects, a statement of qualifications and performance data should be obtained from at least three engineering firms before contracting for these services.
- C. Ensure grant monies distributed to subrecipients are properly monitored as required by OMB Circular A-133. In addition, grant monies received by the county should be receipted and deposited and disbursed by check to the applicable parties.

AUDITEE'S RESPONSE AND CORRECTIVE ACTION PLAN

- A. *The County Commission concurs and indicated that in the future, federal funds will be disbursed within two working days.*
- B. *The County Commission indicated it believes three engineering firms were considered; however, in the future, it will ensure this is documented in the project files. In addition, the County Commission indicated it will make every effort to resolve the questioned costs.*
- C. *The County Commission concurs with the recommendation; however, the County Commission indicated it is unlikely any future BRO funds will be distributed to special road districts.*

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

RAY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the three years ended December 31, 1996, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

RAY COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

4.A.1. Federal Financial Assistance

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	Department of Economic Development
Federal CFDA Number:	14.219
Program Title:	Community Development Block Grants/Small Cities Program
Pass-Through Entity	
Identifying Number:	94-DR-72
Award Year:	1996
Questioned Costs:	Not applicable.

The county applied for and received a Community Development Block Grant on behalf of a drainage and levee district in the county involving grant expenditures of \$388,300 in 1996. While an administrative agency was primarily responsible for overseeing the handling of this grant and preparing the requests for funds, the County Commission was responsible for approving and submitting the requests for funds to the granting agency and authorizing the payments to the applicable contractors. The County Commission did not review the expenditure documentation to support the reimbursement requests.

Recommendation:

The County Commission adequately review supporting documentation for all expenditures prior to approving reimbursement requests and monitor subrecipient expenditures.

Status:

No monies were received or disbursed under this federal program during the years ended December 31, 1998 and 1997.

4.A.2. Federal Financial Assistance

Federal Grantor: U.S. Department of Housing and Urban Development
Pass-Through Grantor: Department of Social Services
Federal CFDA Number: 14.231
Program Title: Emergency Shelter Grants Program
Pass-Through Entity
Identifying Number: Not applicable
Award Year: 1995
Questioned Costs: Not applicable

The county entered into a grant agreement pursuant to the Emergency Shelter Grants Program. Monies related to this grant totaling \$16,804 were passed through to a not-for-profit entity. The county did not monitor how the monies were used or review the audits obtained by this entity. In addition, copies of the expenditure documentation to support the reimbursement requests were not maintained by the county as required by the contract.

Recommendation:

The County Commission adequately review supporting documentation for all expenditures prior to approving reimbursement requests and monitor subrecipient expenditures. In addition, the county should ensure copies of expenditure documentation is properly maintained if required by the grant contract(s).

Status:

Implemented.

4.A.3. Federal Financial Assistance

Federal Grantor: U.S. Department of Justice
Pass-Through Grantor: Department of Public Safety
Federal CFDA Number: 16.588
Program Title: Domestic Violence Project Protect
Pass-Through Entity
Identifying Number: 95-VAWA-0018
Award Year: 1996
Questioned Costs: Not applicable.

The county entered into a grant agreement pursuant to the Project Protect Program. Monies related to this grant totaling \$25,190 were passed through to a not-for-profit entity. The county did not monitor how the monies were used or review the audits obtained by this

entity. In addition, copies of the expenditure documentation to support the reimbursement requests were not maintained by the county as required by the contract.

Recommendation:

The County Commission adequately review supporting documentation for all expenditures prior to approving reimbursement requests and monitor subrecipient expenditures. In addition, the county should ensure copies of expenditure documentation is properly maintained if required by the grant contract(s).

Status:

Implemented.

4.B. Federal Financial Assistance

Federal Grantor:	Federal Emergency Management Agency
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	83.516
Program Title:	Disaster Assistance
Pass-Through Entity	
Identifying Number:	FEMA-DR-1054-MO
Award Year:	1996
Questioned Costs:	\$58,736

The County received federal funding through the State Emergency Management Agency (SEMA) to clean-up and repair roads damaged by flooding. In 1994, the county paid a contractor for flood clean-up services. There was no documentation to indicate that bids were advertised or solicited for these services. As a result of this situation, \$58,736 in grant expenditures was included on the Schedule of Questioned Costs. In addition, in 1995 the county solicited bids on various types of rock, but the amounts charged the county for some types of rock on projects reviewed did not agree to the bid price. The total amount of overcharges for rock on these projects was \$1,116.

Recommendation:

Ensure bids are solicited related to grant expenditures and work with the applicable grantor agency to resolve the amount presented on the Schedule of Questioned Costs. In addition, the county should follow-up on the overcharges noted above with the applicable supplier.

Status:

Implemented. The amount of questioned costs was resolved with the grantor agency, with no monies required to be repaid. In addition, the overcharges were subsequently credited by the supplier against other purchases made.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

RAY COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Ray County, Missouri, as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 29, 1999. We also have audited the compliance of Ray County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 1998 and 1997, and have issued our report thereon dated April 29, 1999.

We also have reviewed the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this review were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our review, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Ray County Memorial Hospital Board and Ray County Health Center Board are audited and separately reported on by other independent auditors, the related funds are not presented in the special-purpose financial statements. However, we reviewed those audit reports and the substantiating working papers for the years ended October 31, 1998 and 1997, for the Ray County Memorial Hospital Board, and December 31, 1998 and 1997, for the Ray County Health Center Board.

Our review was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our review of the elected county officials and the county boards referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Ray County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. Financial Condition

During the two years ended December 31, 1998, the financial condition of the county's General Revenue Fund declined significantly compared to the condition of the fund at the end of the prior audit period. During the years ended December 31, 1998 and 1997, disbursements exceeded receipts by \$106,160 and \$118,337, respectively, resulting in the balance of the General Revenue Fund dropping from \$253,964 at January 1, 1997, to \$29,467 at December 31, 1998.

The increase in expenditures was mainly due to salary increases to officials and employees, improvements to the courthouse building and grounds, and an increase in expenses in the budget of the Sheriff's Department and jail (which included dispatching costs related to the Emergency 911 operation). The county's financial condition was also impacted by the required refund of over \$100,000 in local use tax monies during the current audit period.

The county's budget document for the year ending December 31, 1999, projected an increase in the General Revenue Fund cash balance by over \$8,300 compared to the balance at December 31, 1998. The County Commission should continue to monitor the financial condition of this fund and consider how revenues might be increased and/or expenditures reduced.

WE RECOMMEND the County Commission continue to monitor the financial condition of the General Revenue Fund and consider ways of increasing revenues and/or reducing expenditures.

AUDITEE'S RESPONSE

The County Commission concurs and indicated it believes the county's financial condition will improve now that the use tax liability has been repaid and because sales tax revenues have increased.

2. County Expenditures

- A. The County Commission approved expenditures in excess of budgeted amounts in various funds during the two years ended December 31, 1998, as follows:

<u>Fund</u>		<u>Year Ended December 31,</u>	
		<u>1998</u>	<u>1997</u>
Class III Road and Bridge	\$	29,917	N/A
Assessment		20,548	N/A
Law Enforcement Training		N/A	3,896
Recorder's User Fees		7,691	N/A
Domestic Violence		72	N/A
Sheriff's Extradition		667	N/A

It appears this situation occurred because the county did not adequately monitor the actual expenditures compared to the budget amounts and failed to properly amend the budgets when it became apparent the budgeted amounts would be exceeded.

It was ruled in State ex. rel. Strong v. Cribb, 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, amendments should be made following the same process by which the annual budget was approved, including holding public hearings and filing the amended budget with the State Auditor's office.

- B. The county did not solicit bids or maintain bid documentation related to various significant purchases. These purchases include the following:

	<u>Amount</u>
911 generator	\$ 8,395
Repair of gas furnace at jail	8,305
911 communication equipment service	7,100
Planning and zoning computer	7,078
Restoration of Recorder's records	5,671
County Clerk's computer	4,532

Additionally, it was noted that the Sheriff made food purchases of \$32,286 and \$27,888 in 1998 and 1997, respectively, from one vendor without soliciting bids. County officials indicated that bids were solicited for some of these purchases, but only one bid was received; however, these situations were not adequately documented.

Section 50.660, RSMo Cum. Supp. 1998, requires bids for all purchases greater than \$4,500 from any one person, firm or corporation during any period of ninety days. Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all parties are given an equal opportunity to participate in county business. Documentation of bids should always be retained as evidence the county's established purchasing procedures as well as statutory requirements are followed.

- C. In addition to the expenditures noted above, in November 1998 county officials authorized contract work totaling \$37,570 related to a flood project based only upon one bid proposal obtained. According to county officials, the county did not obtain bids from more than one contractor because the project was considered to be an emergency by the former local Federal Emergency Management Agency (FEMA) project coordinator. It appears this work was not properly authorized by the County Commission, was not documented in the commission minutes, nor did the county enter into a written contract with the applicable contractor. In addition, it appears this work was done partially on private property rather than entirely on county right-of-way. It appears the county proceeded with this project based solely on the verbal authorization of the FEMA official and did not obtain written approval from FEMA before the work was started. The county paid \$37,570 to the contractor for this work on December 21, 1998.

In 1999, it was determined by FEMA that the project was not eligible for federal reimbursement and the county's reimbursement claim has initially been denied. However, the county is currently pursuing recovery of reimbursements related to this project.

- D. During the two years ended December 31, 1998, the county distributed a portion of its County Aid Road Trust (CART) revenues and road and bridge sales tax revenues to the six special road districts within the county. Payments totaling \$364,225 and \$368,816 were made from the Class III Road and Bridge Fund and Special Road and Bridge Sales Tax Fund, respectively, to the special road districts during this period. These payments were made without proper written contracts being prepared. Written statements were obtained from three of the road districts in 1998 regarding how the monies were to be used; however, such statements do not constitute proper contracts and were not signed by the County Commission.

There appears to be no statutory authority for the County Commission to make these distributions to the special road districts without some type of contractual agreement. Written agreements would help ensure that monies distributed to other entities are expended in compliance with constitutional and statutory provisions and as intended by the County Commission.

Conditions similar to A. and D. were also noted in the previous audit report.

WE RECOMMEND the County Commission:

- A. Keep expenditures within the amounts budgeted. If additional expenditures are necessary, the extenuating circumstances should be fully documented and the budgets properly amended.

- B. Solicit bids for all expenditures in excess of \$4,500 as required by state law and retain documentation of these bids and justification for bid awards.
- C. Continue to pursue the possible recovery of federal reimbursements related to the applicable project. Also, the county should ensure such a situation does not reoccur. This would include ensuring written authorization to proceed has been received from the applicable grantor agency and that all grant requirements have been met. Further, written contracts should be entered into for any contracted work and bids should be solicited to the extent possible.
- D. Enter into proper written contracts, which specifically state what services are to be provided to the county, for any distribution of CART or road and bridge sales tax monies to the special road districts.

AUDITEE'S RESPONSE

A&D. The County Commission concurs.

- B. The County Commission indicated it will solicit bids as recommended unless the expenditure is an emergency expenditure on the roads. In those instances, the circumstances will be documented.*
- C. The County Commission indicated that it appealed FEMA's denial of the claim and has been successful in getting this project approved for reimbursement. However, the County Commission concurs with the recommendation and indicated that projects involving emergencies will be properly documented in the future and that the contracted costs will not be paid until after the reimbursements are received. In addition, while a portion of the work was done on private property, this was done to stabilize the river banks to prevent future occurrences.*

3.	Special Road Projects
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The county entered into several agreements with citizen groups and other governmental entities related to work performed on various roads in the county. We noted the following concerns during our review of this situation.

- A. All of the special road projects entered into by the county were based upon verbal agreements. No written contracts were entered into to formalize these agreements.

Section 432.070, RSMo 1994, requires all contracts be in writing. Written agreements should clearly specify the services to be rendered, the amount of compensation to be paid by the respective parties, and the manner in which the citizens or other entities should pay

their required share. Such written contracts lessen the opportunity for misunderstandings between the parties involved.

- B. The county has not established adequate procedures to account for the related project costs and reimbursements nor has a written policy been established regarding the handling of special road projects or to clarify when other entities or citizens will be asked to pay a portion of the costs of road projects. According to the County Commission, highly traveled roads will be paved solely at the county's expense. Other entities or citizens wishing to have other roads paved which are not heavily traveled will possibly be asked to pay a portion of the costs.

The county should establish adequate procedures to account for the project costs and reimbursements. In addition, a written policy regarding the handling of road projects would help clarify the commission's intent regarding such projects and help ensure they are handled in a consistent manner.

- C. In 1996, the county entered into an agreement with a citizens group and a city to chip and seal a particular road. The citizens group agreed to pay one-half of the total costs and the city and county agreed to pay the remainder. Our review noted that the county paid the contractor and received payment from the citizens' group; however, the county had not received the city's share of the costs (\$2,633) at the time of our review. It is apparent the county did not properly monitor this project to ensure all amounts due the county were properly collected.

After we brought this matter to the attention of the county, the city was contacted regarding the amount owed. A \$2,633 payment from the city was subsequently received by the county in April 1999. The county should ensure all payments due the county from similar projects are received in a timely manner.

- D. In 1997, a citizens group and the county entered into an agreement to equally share the cost of chipping and sealing several roads in a particular subdivision. The project work began in the fall of 1997 and was not completed until the fall of 1998. The county did not require the citizens group to reimburse the county for its portion of the costs until after the project was completed.

The total cost of the project was \$62,470 or \$31,235 each for the citizens group and the county. However, the citizens group raised only \$25,707. In addition, two checks from citizens totaling \$1,000 were returned by the bank because of insufficient funds. As a result, the county paid an additional \$6,528 on this project which was the responsibility of the citizens group.

The county should ensure its interests are protected on future projects such as this. The county should consider requiring that portion of the costs to be reimbursed by outside

parties be received before the road project is started. By not receiving the full amount of costs due on such road projects, the county must contribute more than intended.

WE RECOMMEND the County Commission:

- A. Ensure arrangements such as this are formalized in written contracts as required by state law.
- B. Ensure adequate procedures are established to account for the project costs and reimbursements and adopt a formal policy regarding the handling of road projects and clarifying when other entities or citizens may be asked to pay a portion of the costs.
- C. Ensure that all amounts owed the county are collected in a timely manner.
- D. Take steps to ensure outside parties properly pay their share of costs related to such road projects. The Commission should consider requiring these parties to contribute their share of the costs before the road project is started.

AUDITEE'S RESPONSE

A-C. The County Commission concurs.

D. The County Commission concurs with the recommendation, however, it indicated efforts are still being made to collect the amounts owed.

4. General Fixed Asset Records and Procedures
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- A. The county's general fixed asset records have not been kept current. Additions and deletions have not been reflected in the records on a perpetual basis. In addition, an annual inspection and inventory of all personal property items owned by the county and quarterly inspections of county-owned land and buildings were not performed by the County Clerk as required by Section 51.155, RSMo Cum. Supp. 1998.

Fixed asset records should be kept and maintained on a perpetual basis to ensure historical information, particularly the cost of the assets, is not lost and to ensure the continuity of the records. In addition, an inspection and inventory of the property items would help verify the accuracy of the records and detect any missing items.

- B. The Sheriff maintains some county-owned assets at his personal residence, including two boats with motors, two boat trailers, two trucks, and a passenger van. The items are stored at the Sheriffs's farm because the county lacks adequate storage. The county does

not maintain any detailed record of the assets stored by the Sheriff, nor does the county receive reports on the usage of these assets.

The county should prepare a record of the assets stored at the Sheriff's personal residence, and compare that record to a physical inventory on an annual basis. This will provide more assurance that all county assets stored by the Sheriff are adequately accounted for and help reduce the possibility of theft, loss, or misuse. In addition, periodic reports showing the date used and purpose of use are necessary to ensure that the assets are used appropriately.

- C. Information presently recorded in the general fixed asset records is incomplete. The records do not generally include an identification number; serial number, where appropriate; date of acquisition; source of acquisition by fund; and the date and method of disposition, if applicable. In addition, actual or estimated costs for some items were not included.
- D. While it appears the County Clerk has tagged many road and bridge items belonging to the county, many other county general fixed asset items are still not numbered, tagged, or otherwise identified as county property.

While it appears some improvement has been made in the county's general fixed asset records, further improvements are needed. Adequate general fixed asset records are necessary to meet statutory requirements, secure better internal control over county property, and provide a basis for determining proper insurance coverage.

These conditions were similarly noted in the previous report.

WE AGAIN RECOMMEND the County Clerk:

- A. Bring the general fixed asset records up-to-date and maintain them on a perpetual basis by reflecting all fixed asset additions and retirements as they occur. In addition, an annual inspection and inventory of county-owned personal property and quarterly inspections of county owned land and buildings should be performed as required by statute.
- B. Prepare and maintain a record of all county assets stored at the Sheriff's residence and periodically compare that record to a physical inventory of the assets. In addition, reports detailing the date and purpose of the use of the assets should also be received on a periodic basis.
- C. Include the following information in the general fixed asset records for each item:
 - 1) Identification number;

- 2) Description of the item to include name, make, model, and serial number, where appropriate;
 - 3) Physical location in sufficient detail to readily locate the item;
 - 4) Date of acquisition;
 - 5) Original cost and current market value;
 - 6) Source of acquisition by fund; and,
 - 7) Date and method of disposition, if applicable.
- D. Identify all general fixed asset items with an original cost of \$250 or more with a number, tag, or similar device.

AUDITEE'S RESPONSE

The County Clerk indicated he will consider these recommendations; however, House Bill 402, which was recently passed and signed, has changed the county clerk's responsibilities related to county fixed assets and some duties are now the responsibility of other officials. The County Clerk indicated he would comply with the provisions of this new legislation.

5. Meal Expenses Paid From Bad Check Fund
--

Former Prosecuting Attorney Lehnert and his staff spent approximately \$3,291 and \$1,753 in 1998 and 1997, respectively, for meals and travel expenses while attending training seminars. In the prior audit, we reported that former Prosecuting Attorney Lehnert had claimed travel expenses which appeared unreasonable, excessive, and/or not supported by adequate documentation. During the current audit, we again noted problems in this area. Meal expenses paid to the former Prosecuting Attorney or to his employees did not always have adequate supporting documentation. For example, in August 1997, two dinner charges totaling \$401 were claimed by the former Prosecuting Attorney while attending a two day training session at the Lake of the Ozarks. The documentation to support these charges consisted of credit card receipts, with no documentation of the individuals served or the detailed charges incurred. During 1997 and the first two months of 1998, other instances were noted where meal expenses claimed exceeded the county's policy of \$31 per day. In addition, not all meal expenses had supporting documentation as required by the county's policy.

In March 1998, former Prosecuting Attorney Lehnert established a formal travel policy for his office. This policy allowed himself and each of his employees a meal allowance of \$65 per day while attending training seminars without any receipts or other supporting documentation being required. This policy was not in accordance with the county's policy as noted above. From March 1998 through December 1998, meal expenses totaling \$1,950 were paid at this per diem rate with no supporting documentation submitted to support the claims. It appears the total daily meal

allowance was paid to employees even on the days when the individuals were traveling to and from seminars.

To ensure meal expenses are reasonable, the travel expenses claimed should be paid in accordance with the county's policy and be supported by adequate supporting documentation. If circumstances warrant additional meal expenses, the circumstances should be documented.

WE RECOMMEND the current Prosecuting Attorney ensure all travel expenses claimed for reimbursement are adequately documented and are in accordance with the county's travel policy. If additional expenses are deemed necessary, the circumstances should be documented.

AUDITEE'S RESPONSE

The current Prosecuting Attorney concurs and indicated he is following the county travel policy and provides supporting documentation as required.

Former Prosecuting Attorney Lehn indicated the expenditures made prior to March 1998 were made prior to the release of the prior audit report and prior to the associated conferences with the auditors. In March 1998, a new policy was established which he believed met the State Auditor's requirements.

6. Circuit Clerk Child Support Records and Procedures
--

The child support division processed approximately \$2.5 million annually in child support payments during the two years ended December 31, 1998. The child support division receives payments through the mail and over-the-counter. A prenumbered receipt slip is to be issued for all over-the-counter receipts and the receipts are to be recorded in a one-write ledger. All transactions (both those received over-the-counter and by mail) are to be recorded on the Missouri Automated Child Support System (MACSS). The MACSS reports identify the mode of payment as cash, check, or money order. The receipt amounts on these reports are then agreed to the daily deposits. During our review of the records and procedures surrounding the handling of child support receipts, we noted the following concerns:

- A. Accounting duties were not adequately segregated. One child support clerk was responsible for receiving, recording, depositing, and disbursing the child support monies. She was also responsible for reconciling the bank account until September 1998, when the OSCA began performing these reconciliations. In addition, it appears the Circuit Clerk did not perform a periodic review of the cash receipt and disbursement functions in this office nor review the monthly bank reconciliations.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by

segregating the duties of receiving and depositing receipts from the recording and reconciling duties. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of the records should be performed and documented, which should include a review of the monthly bank reconciliations.

- B. Receipts were not always recorded on the MACSS system or deposited intact in a timely manner. During a cash count performed on March 31, 1999, there was \$1,900 in cash and checks on hand, representing about twenty transactions, which had not been recorded on the MACSS system. According to the child support clerk, these monies had not been recorded and deposited because a case had not yet been established. While most of these monies were received in 1999, in one case it appears the monies had been held for almost 2 years. In addition, a number of the checks had not been restrictively endorsed. After we brought this matter to the attention of the Circuit Clerk, these monies were promptly recorded and deposited. These monies could have been deposited earlier had the circumstances been discussed with the office of State Courts Administrator (OSCA) on more timely basis.

All receipts should be recorded on the MACSS system and be deposited intact on a timely basis to ensure that all monies received are accounted for properly. In addition, checks should be restrictively endorsed immediately upon receipt.

- C. The numbers assigned to the prenumbered receipt slips used to record over-the-counter receipts are not recorded on the one-write ledger. Consequently, the numerical sequence of the receipt slips issued is not accounted for properly.

The proper recording and accounting for prenumbered receipt slips is necessary to ensure that all monies are properly handled.

- D. Although total receipts recorded on the MACSS system were agreed to total deposits on a daily basis, cash receipts received over-the-counter and recorded on the one-write ledger were not reconciled to the amount of cash deposited per MACSS reports. The lack of this control allowed a \$300 shortage to occur (related to a cash transaction received on October 1, 1998) and not be detected in a timely manner. It was not discovered that these monies were missing until the middle of November 1998, when the individual who made the payment appeared in court. The monies have been reimbursed from the Circuit Clerk's interest account.

The composition (cash and checks) of recorded receipts should be reconciled to the composition of deposits on a periodic basis to ensure all receipts are handled properly.

The Missouri State Highway Patrol (MSHP) was contacted regarding this shortage in November 1998, and its investigation of these missing monies continues. Because of this

matter and the internal control weaknesses noted above, we are planning to further review additional receipt and deposit records.

WE RECOMMEND the Circuit Clerk:

- A. Adequately segregate the duties of receiving, recording, depositing, and disbursing child support monies. At a minimum, the Circuit Clerk should perform a documented review of these functions on a periodic basis, including a review of the monthly bank reconciliations.
- B. Ensure that all monies are recorded on the MACSS system and deposited intact in a timely manner. In addition, checks should be restrictively endorsed immediately upon receipt.
- C. Ensure the receipt slip numbers are recorded on the one-write ledger and that their numerical sequence is accounted for properly.
- D. Ensure the composition of recorded receipts is reconciled to the composition of deposits on a periodic basis.

In addition, the Circuit Clerk should continue to cooperate with the MSHP in its investigation of the missing monies.

AUDITEE'S RESPONSE

A-D. The Circuit Clerk concurs and indicated she will take steps to address all of these recommendations.

7.

Noxious Weed Board

- A. The Noxious Weed Board authorized expenditures of \$5,775 in excess of the approved budget for the year ended December 31, 1997. There was no budget amendment filed to authorize these additional expenditures, nor was there documentation maintained noting the circumstances for exceeding the budget. It appears this occurred because the board did not effectively monitor the budget.

It was ruled in State ex rel. Strong v. Cribb, 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, amendments should be made in accordance with Section 50.622, RSMo Cum. Supp. 1998, following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.

- B. Mileage reimbursements were made to one Noxious Weed Board member during the two years ended December 31, 1998. The mileage claims totaled \$1,035 and \$763 for 1998 and 1997, respectively. The mileage claims were for a one year period and only detailed the total miles driven by month. The claims submitted did not indicate the miles traveled by date, the location visited, or purpose of trip.

To ensure the validity and propriety of mileage reimbursements, the reimbursement claims should be submitted on a timely basis and be supported by adequate documentation. An itemized report should be required indicating the miles traveled by date, the nature of the business, and the locations traveled.

- C. A 1997 chemical purchase of \$11,956 was not supported by adequate bid documentation. A board member indicated that phone bids were solicited related to this purchase; however, no documentation of this was retained.

Section 50.660, RSMo Cum. Supp. 1998, requires advertisement of bids for all purchases in excess of \$4,500. Bidding procedures for major purchases provide a framework for economical management of available resources and help ensure fair value is received by contracting with the lowest and best bidder. Documentation of the bids received should be retained.

A condition similar to B. was also noted in the prior report.

WE RECOMMEND the Noxious Weed Board:

- A. Keep expenditures within the amounts budgeted. If additional expenditures are necessary, the extenuating circumstances should be fully documented and the budgets properly amended.
- B. Ensure all mileage reimbursement claims are submitted on a timely basis and are supported by adequate documentation.
- C. Advertise bids for purchases in accordance with state law and retain documentation of these bids and justification for bid awards. If bids cannot be obtained or sole source procurement is necessary, the board should retain documentation of these circumstances.

AUDITEE'S RESPONSE

A-C. The Noxious Weed Board concurs.

8.

Senate Bill 40 Board Budgetary Practices

The Senate Bill 40 Board of Directors approved expenditures of \$18,143 in excess of the approved budget for the year ended December 31, 1998. There was no amended budget filed to authorize these additional expenditures, nor was there documentation maintained noting the circumstances for exceeding the budget. It appears this situation occurred because the board did not amend the budget when it became apparent the budget would be overspent.

It was ruled in State ex. rel. Strong v. Cribb, 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, amendments should be made in accordance with Section 50.622, RSMo Cum. Supp. 1998, following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.

A similar condition was also noted in the prior report.

WE AGAIN RECOMMEND the Senate Bill 40 Board keep expenditures within the amounts budgeted. If additional expenditures are necessary, the extenuating circumstances should be fully documented and the budgets properly amended.

AUDITEE'S RESPONSE

The Senate Bill 40 Board President concurs and indicated amended budgets will be prepared and submitted in the future.

This report is intended for the information of the management of Ray County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on Prior Audit Findings

RAY COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Ray County, Missouri, on findings in the Management Advisory Report (MAR) of our prior audit report issued for the three years ended December 31, 1996. Finding number 4. is omitted since the related follow-up appears in an earlier section of this report. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendations have not been repeated, the county should consider implementing these recommendations.

1. Budgetary, Reporting, and Accounting Practices

- A.1. Disbursements exceeded budgeted amounts in various funds.
- 2. Formal budgets were not prepared or obtained for all funds. In addition, some budgets were not always complete and accurate.
- 3. A consolidated budget for the Class III Road and Bridge Fund and the Special Road and Bridge Sales Tax Fund was prepared. As a result, the County Commission unknowingly approved a projected deficit fund balance for the Special Road and Bridge Sales Tax Fund at December 31, 1996.
- 4. Formal budgets were prepared for only a few funds for the year ended December 31, 1997, and those that were submitted were not complete and lacked information.
- B. Differences noted between the records of the County Clerk and the County Treasurer were not adequately investigated and corrected.
- C. The annual published financial statements did not include the financial activity of all county funds.

Recommendation:

The County Commission:

- A.1. Keep expenditures and transfers between funds within the amounts budgeted. If additional disbursements are necessary, the extenuating circumstances should be fully documented and the budgets properly amended.
- 2. Ensure complete and accurate budgets for all county funds are prepared or obtained.
- 3. Ensure separate budgets are prepared for the Class III Road and Bridge Fund and Special Road and Bridge Sales Tax Fund and ensure deficit budgeting does not occur.
- 4. Ensure future budgets are complete and include all required information as provided by statute.

- B. Ensure the County Clerk and County Treasurer reconcile their records on a periodic basis and investigate any differences noted.
- C. Ensure financial information for all county funds is properly reported in the annual published financial statements.

Status:

- A.1. Not implemented. Expenditures exceeded budgeted amounts in several county funds during 1997 and 1998. See MAR No. 2.
- 2&4. Partially implemented. Complete and accurate budgets were not prepared for 1997. The 1998 budgets were in better condition but were not fully complete and accurate. See finding number 98-1.
- 3. Implemented.
- B. Partially implemented. The County Clerk and Treasurer now reconcile their records monthly and improvements have been made in this area. However, some differences were still noted between the County Treasurer's records and amounts presented on the budgets by the County Clerk for a few funds. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Not implemented. Financial information for the Circuit Clerk and Associate Circuit Division interest funds were still not presented in the published financial statements for 1997 and 1998. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Expenditures

- A. The county expended \$13,600 to various not-for-profit organizations (NFPs) without obtaining contracts with the NFPs. There was no documentation to indicate what benefits were received.
- B. The county distributed a portion of its County Aid Road Trust (CART) revenues and road and bridge sales tax revenues to special road districts. The county did not enter into written contracts with the special road districts related to these distributions.

Recommendation:

The County Commission:

- A. Refrain from making contributions of public funds unless it is pursuant to written contracts which specifically state what services are to be provided to the county and provide a means of monitoring the expenditures.

- B. Obtain written contracts, which specifically state what services the special road districts are to be provided to the county, for any distribution of CART or road and bridge sales tax monies to the special road districts.

Status:

- A. Implemented.
- B. Not implemented. See MAR No. 2.

3. 911 Emergency Telephone System

In August 1995, Ray County voters passed a ballot proposal to establish an emergency 911 telephone system in the county. This proposal authorized a local telephone tax be charged to finance this system. Based on a review of the county's plans for implementing this system, it was uncertain whether adequate revenues would be generated to establish and operate the system envisioned.

Recommendation:

The County Commission review this situation and determine whether adequate revenues can be generated to run the 911/central dispatch operation currently planned. This would include evaluating the likelihood of receiving the requested funding from the other political subdivisions in the county. If adequate revenues cannot be generated, the commission should reevaluate this entire operation and identify ways to further reduce planned expenditures.

Status:

The county only received a limited amount of planned revenue from the other political subdivisions during the current audit period; however, the county offset this loss of revenue by paying the dispatching costs of this operation from the General Revenue Fund instead of from the Emergency 911 Fund as was initially planned. Because of this funding decision, it appears the Emergency 911 Fund receives adequate revenues to pay the remaining costs of the 911 operation.

In September 1998, a new 911 board was appointed by the County Commission to administer the 911 Program.

5. Planning and Zoning

The Prosecuting Attorney served as administrator for the county Planning and Zoning Board and received compensation of \$600 per month for these duties. It appears this may have represented a conflict and an incompatible situation.

Recommendation:

The County Commission review this situation and consider requesting an Attorney General's opinion regarding the compatibility of the Prosecuting Attorney serving in this position.

Status:

Not implemented. An Attorney General's opinion was not requested regarding this issue and former Prosecuting Attorney Lehen continued to serve in this capacity through December 1998. In January 1999, when the former Prosecuting Attorney left office, the County Commission decided to retain him as administrator of the Planning and Zoning Board.

6. Collateral Securities

The amount of collateral securities pledged by the county's depositary banks was insufficient to cover monies of the County Treasurer and County Collector.

Recommendation

The County Commission ensure collateral securities pledged by the depositary banks are sufficient to protect monies at all times.

Status

Partially implemented. It appears the county is doing a better job in this area; however, we noted that the amount of collateral securities pledged to secure county funds were inadequate by over \$600,000 during a few days at the end of 1998 and the beginning of 1999. Although not repeated in the current MAR, our recommendation remains as stated above.

7. Noxious Weed Fund

- A. Property tax revenues of the Noxious Weed Fund exceeded expenditures of that fund by \$31,391 during the three years ended December 31, 1996, and at June 30, 1997, the fund balance had increased to more than \$100,000. There were no specific plans for the accumulated surplus.
- B. Mileage reimbursements were made to two Noxious Weed Board members. The related mileage claims were not submitted on a timely basis, nor was the supporting documentation sufficiently detailed.

Recommendation:

The County Commission:

- A. Reduce or eliminate the property tax levy of the Noxious Weed Fund until such time as additional revenues are needed to fund current operations and provide a reasonable surplus.
- B. Ensure all mileage reimbursement claims are submitted on a timely basis and supported by adequate documentation.

Status:

- A. Implemented. The property tax levy was reduced to -0- in 1997 and 1998. According to a board official, no property tax will be levied for this fund until such time as the board believes that additional revenues are needed.
- B. Not implemented. See MAR No. 7.

8. Assessment Fund Reimbursements

During the third quarter of 1994, the county inadvertently claimed excessive reimbursements from the state. This error was not detected because the reimbursement claims were not reconciled to actual expenditures. This situation resulted in a \$5,438 overpayment by the state.

Recommendation:

The County Commission contact the State Tax Commission regarding this situation and take appropriate action to correct this overpayment. In addition, the commission should ensure assessment reimbursement claims are reconciled to the expenditure records.

Status:

Implemented. The overpayment was recovered by the state by reducing the county's reimbursement for the last quarter of 1997.

9. General Fixed Asset Records and Procedures

- A. The general fixed asset records had not been kept current.
- B. The Sheriff maintained some county-owned assets at his personal residence. The county did not maintain any record of the fixed assets stored by the Sheriff.
- C. Information recorded in the general fixed asset records was generally incomplete.
- D. General fixed asset items were not numbered, tagged, or otherwise identified as county property.
- E. An annual inventory of all personal property items and quarterly inspections of county-owned land and buildings were not performed.

Recommendation:

The County Clerk:

- A. Bring the general fixed asset records up-to-date and maintain them on a perpetual basis by reflecting all fixed asset additions and retirements as they occur. To ensure property additions are properly reflected in the property records, additions should be reconciled to property purchases.
- B. Maintain a record of all county assets stored at the Sheriff's residence and periodically compare that record to a physical inventory of the assets.

- C. Include the following information in the general fixed asset records for each item:
- 1) Identification number;
 - 2) Description of the item to include name, make, model, and serial number, where appropriate;
 - 3) Physical location in sufficient detail to readily locate the item;
 - 4) Date of acquisition;
 - 5) Original cost and current market value;
 - 6) Source of acquisition by fund; and
 - 7) Date and method of disposition, if applicable.
- D. Identify all general fixed asset items with an original cost of \$250 or more with a number, tag, or similar device.
- E. Ensure an annual inspection and inventory of county-owned personal property and quarterly inspections of county-owned land and buildings are performed.

Status:

A-E. Not implemented. See MAR No. 4.

10. Expenditures From Prosecuting Attorney Bad Check Fund

- A. Some travel expenses appeared unreasonable, excessive, and/or were not supported by adequate documentation.
- B. Various problems were noted regarding overtime payments made to employees of the Prosecuting Attorney's office.
- C. In 1996, the Prosecuting Attorney authorized a \$100 payment for the assistant prosecuting attorney to play in a charity golf tournament.

Recommendation:

The Prosecuting Attorney:

- A. Ensure any travel expenses claimed for reimbursement are necessary, reasonable, adequately documented, and in accordance with the county's travel policy. In addition, the Prosecuting Attorney should provide additional documentation to the County Commission so it can determine the propriety of all the expenditures and the amount of reimbursement due to the Bad Check Fund.
- B. Ensure any payments to employees for overtime owed are paid on a monthly basis. In addition, the Prosecuting Attorney should ensure documentation is maintained to support all overtime payments made to employees, that all overtime payments are properly reported and subjected to all applicable withholding taxes, and that any overtime payments authorized are in accordance with the county's overtime policy.

- C. Ensure any expenditures authorized for payment are to pay prudent and necessary costs to operate his office.

Status:

- A. Not implemented. While not to the extent noted in the prior audit, we again noted some problems in this area during the current audit period. See MAR No. 5. In addition, no additional documentation was provided to support the travel expenses questioned during the prior audit and no reimbursements to the Bad Check Fund were made.
- B. Some of the same problems with overtime payments were noted during 1997. However, in March 1998, a written overtime policy was established by former Prosecuting Attorney Lehnert which appeared to adequately address concerns previously reported. In addition, overtime payments were properly supported by time sheets and proper withholding taxes were withheld in both 1997 and 1998.
- C. In 1997, a \$100 expenditure was again authorized for the assistant prosecuting attorney to play in a charity golf tournament. However, no similar expenditure was noted in 1998.

11. Circuit Clerk's Accounting Controls and Procedures

- A. The method of payment was not indicated on the receipt slips and the deposit slips did not identify the individual receipts making up the deposits.
- B. Fee account receipts were not deposited timely.
- C. At December 31, 1996, checks written on the fee and child support accounts had been outstanding for over a year.
- D. Differences existed between the monthly open-items listing and the reconciled cash balance of the fee account, with the difference fluctuating from month to month. At December 31, 1996, the reconciled cash balance exceeded the open items listing by \$12,193.
- E. The cash receipts ledger for the fee account for 1994 was missing.

Recommendation:

The Circuit Clerk:

- A. Ensure the method of payment is recorded on each receipt slip issued and individual receipts comprising deposits are identified. In addition, the composition of receipt slips should be reconciled to the composition of bank deposits.
- B. Ensure monies are deposited intact into the fee account daily or when accumulated receipts exceed \$100.

- C. Attempt to locate the payees of the old outstanding checks and reissue the checks, if possible. Any remaining unclaimed amounts should be disbursed in accordance with state law.
- D. Attempt to identify the unidentified cash balance which currently exists in the fee account. Any amounts which cannot be identified should be disposed of in accordance with Chapter 447, RSMo 1994 and Section 50.500, RSMo 1994.
- E. Ensure all records are properly retained.

Status:

- A-E. Implemented. The conditions noted in the prior audit were corrected; however, various other problems were noted in the Child Support Division during the current audit. See MAR No. 6.

12. Senate Bill 40 Board

- A. Expenditures were approved in excess of budgeted amounts.
- B. The board had not solicited bids for its banking services, even though the board's treasurer was an employee at the board's depository bank.
- C. During the three years ended December 31, 1996, funds totaling \$54,021 were received under two separate programs to provide respite care services. Considering total board expenditures for respite care services totaled only \$31,295 during this period, it appears the board received a total of \$22,726 more in funding from the two respective sources than it expended on respite care.

Recommendation:

The Senate Bill 40 Board:

- A. Keep expenditures within the total amount budgeted. If excess expenditures are necessary, the extenuating circumstances should be fully documented and the budgets should be properly amended.
- B. Periodically solicit bids for its banking services. Any board member associated with a competing bank should abstain from the selection process.
- C. Contact the Department of Mental Health to resolve the over funding situation which has occurred.

Status:

- A. Not implemented. See MAR No. 8.
- B. Partially implemented. The board did not solicit bids for banking services as recommended and decided to maintain its account at the same bank. However, it

appears the board Treasurer abstained from this decision. Although not repeated in the current MAR, our recommendation remains as stated above.

- C. We found no documentation in the Senate Bill 40 Board's files to indicate the Department of Mental Health (DMH) had been contacted regarding this situation; however, based on discussions with DMH officials it appears that department has concluded that no monies are owed from the board. The Senate Bill 40 Board spent more on respite care services during the current audit period than it received in funding from the DMH. This appears to have impacted the DMH's conclusions regarding this matter. The federal funding expired in 1997 and the board is no longer receiving respite care funding from more than one source.

STATISTICAL SECTION

History, Organization, and
Statistical Information

RAY COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1820, the county of Ray was named after John Ray, a member of the state constitutional convention of 1820. Ray County is a county-organized, third-class county and is part of the Eighth Judicial Circuit. The county seat is Richmond.

Ray County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Ray County received its money in 1998 and 1997 to support the county General Revenue and Special Road and Bridge (Class III Road and Bridge) Funds:

SOURCE	1998		1997	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 396,074	13	371,008	12
Sales taxes	1,150,067	37	1,094,465	36
Federal and state aid	885,974	29	969,546	32
Fees, interest, and other	643,392	21	630,947	20
Total	\$ 3,075,507	100	3,065,966	100

The following chart shows how Ray County spent monies in 1998 and 1997 from the General Revenue and Special Road and Bridge (Class III Road and Bridge) Funds:

USE	1998		1997	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 943,039	27	1,021,129	34
Public safety	1,038,337	30	916,626	30
Highways and roads	1,517,159	43	1,077,828	36
Total	\$ 3,498,535	100	3,015,583	100

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During 1998 and 1997, the Special Road and Bridge Sales Tax Fund had total receipts of \$597,281 and \$949,525, respectively. During 1998 and 1997, the Special Road and Bridge Sales Tax Fund expended \$241,306 and \$936,456, respectively, for road and bridge capital improvements, and distributed \$182,321 and \$186,495, respectively, to road districts.

The county maintains approximately 71 county bridges and 465 miles of county roads.

The county's population was 17,599 in 1970 and 21,971 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	1998	1997	1985*	1980**	1970**
	(in millions)				
Real estate	\$ 113.4	110.2	71.8	39.6	25.3
Personal property	41.5	38.9	15.1	9.9	6.8
Railroad and utilities	28.2	27.4	19.1	15.3	13.2
Total	\$ 183.1	176.5	106.0	64.8	45.3

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Ray County's property tax rates per \$100 of assessed valuations were as follows:

	Year Ended December 31,	
	1998	1997
Class III Road and Bridge Fund *	\$ N/A	N/A
Health Center Fund	0.1	0.1
Senate Bill 40 Fund	0.16	0.15
Hospital	0.16	0.15
Tri-County Mental Health	0.1	0.09

* The county retains all tax proceeds from areas not within road districts. The county has six road districts that receive four-fifths of the tax collections from property within these districts, and the Class III Road and Bridge Fund retains one-fifth. Three special road districts and the county common road district also have an additional levy approved by the voters.

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Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

		Year Ended February 28,	
		1999	1998
State of Missouri	\$	55,107	53,666
General Revenue Fund		12,015	13,347
Class III Road and Bridge Fund		351,713	341,042
Assessment Fund		107,325	102,340
Noxious Weed Fund		1,230	5,566
Health Center		181,846	177,132
Senate Bill 40 Fund		290,115	267,614
Tri-County Mental Health		180,332	159,552
Hospital		290,263	267,760
Road districts		371,163	347,016
School districts		7,055,905	6,767,219
Library district		199,918	194,733
Ambulance districts		234,775	212,501
Fire protection districts		216,209	126,896
Nursing home districts		235,353	213,206
Drainage and levee districts		423,130	436,980
Cities		76,209	79,398
County Clerk		301	304
County Employees' Retirement		84,735	82,591
Bad Check Fund		360	270
Tax Sale Surplus Fund		19,741	126
Commissions and fees:			
General Revenue Fund		175,768	167,553
County Collector		6,704	6,179
Total	\$	<u>10,570,217</u>	<u>10,022,991</u>

Percentages of current taxes collected were as follows:

		Year Ended February 28,	
		1999	1998
Real estate		92.0 %	92.2 %
Personal property		83.2	85.1
Railroad and utilities		96.1	100.0

Ray County also has the following sales taxes; rates are per \$1 of retail sales:

		Rate	Expiration Date	Required Property Tax Reduction
General	\$	0.005	None	50 %
General		0.005	None	*
Road and bridge capital improvements		0.005	None	None

* This sales tax eliminated the property tax levy of the General Revenue Fund.

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The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	1999	1998	1997
County-Paid Officials:			
William Edgar, Presiding Commissioner	\$	20,000	20,000
John Crouch, Associate Commissioner		20,000	20,000
Clifford Crist, Associate Commissioner		20,000	20,000
Mary Jo Davis, Recorder of Deeds		30,000	30,000
Paul Lynn Rogers, County Clerk		32,500	32,500
George Lehnen III, Prosecuting Attorney		37,000	37,000
Gary Holloway, Sheriff		38,000	38,000
JoAnn Burnine, County Treasurer*		22,436	21,770
Dale Dean Snow, County Coroner		7,000	7,000
Kenneth A. Nolker, Public Administrator **		22,076	21,178
Margie Bowman, County Collector*** , year ended February 28,	54,112	53,587	
Kent H. Wollard, County Assessor **** , year ended August 31,		40,000	
William B. Rogers, County Assessor ****, year ended August 31,			34,133
Terry McCanless, County Surveyor *****			

* The year 1998 includes \$666 received in commissions for handling drainage district taxes.

* * Includes fees received from probate cases.

*** Includes \$6,704 and \$6,179, respectively, in commissions earned for collecting drainage and levee taxes.

**** Includes \$900 annual compensation received from the state.

***** Compensation on a fee basis.

State-Paid Officials:

Carolynne Conner, Circuit Clerk		42,183	40,176
David L. Busch, Associate Circuit Judge		85,158	81,792

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A breakdown of employees (excluding the elected officials) by office at December 31, 1998, is as follows:

Office	Number of Employees Paid by	
	County	State
County Commission*	3	0
Circuit Clerk	0	4
Recorder of Deeds	2	0
County Clerk**	4	0
Prosecuting Attorney***	3	0
Sheriff***	27	0
County Treasurer***	1	0
Public Administrator***	1	0
County Collector	2	0
County Assessor***	6	0
Associate Division****	2	3
Road and Bridge**	17	0
Juvenile Officer	2	1
Total	<u>70</u>	<u>8</u>

* Includes two full-time janitors and one part-time employee.

** Includes two part-time employees.

*** Includes one part-time employee.

**** Includes three part-time employees.

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Ray County's share of the Eighth Judicial Circuit's expenses is 67.15 percent.